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**BEFORE THE AVIATION CONSUMER PROTECTION
ADVISORY COMMITTEE**

JUNE 28-29 PUBLIC MEETING

**STATEMENT OF PHILIP NICHOLAS
ON BEHALF OF AMADEUS IT GROUP**

My name is Philip Nicholas. I am Vice President and Chief Counsel, Government Affairs for Amadeus North America, Inc., based at its Miami headquarters. Amadeus North America is an affiliate of Amadeus IT Group, our parent company based in Madrid and with offices throughout the world.

Amadeus offers a Global Distribution System or GDS, operating globally to serve airlines and other travel providers such as hotels, car rental companies, cruise lines throughout the world, as well as the travel agents and other intermediaries that market the services of these travel providers to consumers. For the benefit of those of you new to the Committee, I will briefly describe what a GDS does.

First though you should also be aware that with respect to airlines, we also are a major provider of IT services to over 200 airlines, supplying those airlines with the modern technology tools and expertise they need to operate their own internal reservations systems for the benefit of consumers who choose to book directly with airlines. In the US, for example, Amadeus and its subsidiaries provide technology services to Southwest, Frontier, Spirit and Sun Country Airlines, among others. We also provide technology services to online agencies and airports from check-in to take-off services. Over 2 billion passengers worldwide were boarded in 2019 using Amadeus technology services, making us among the largest global players in this sector.

As a GDS, we function as a two-sided business. On one side of our business are airlines and other travel providers, who make their data available to us in real time on their available inventory, schedules, fares and fees. Our systems are designed to organize this data so that agents, travel management companies and other sellers of air and other travel services, who are on the other side of our business, can readily identify and display schedule, fare and availability information for consumers, and then make bookings using facilities provided by our GDS. For example, if you try to book a flight from Washington to Chicago through an Amadeus travel agency, whether that be a brick and mortar agency or an online agency, you will send a search request. That search request goes to the Amadeus GDS which gathers and sends back to you the various options to choose from (e.g., a number of different airline options, flight schedules, fares, and miscellaneous services associated with your airline trip). When you make your selection and book a particular airline, that booking request is sent to, and processed by, the Amadeus GDS. Your booking is made and the Amadeus GDS then sends you the airline's booking confirmation number.

On a global basis, we are the largest GDS in terms of bookings. We provide our GDS services to all major US airlines and non-US airlines throughout the world. Along with two other major GDS companies, Sabre and Travelport, the GDS channel processes approximately 20% of all airline travel bookings in the world. In 2019, pre-pandemic, over 580 million airline bookings were made through the Amadeus GDS alone. Given our critical role in the distribution of airline services, the Department has previously recognized, and a court has confirmed, that GDSs are ticket agents for purposes of DOT regulation.

Amadeus and other GDSs have used their sophisticated technology to set up an extremely efficient marketplace for the sale of air travel. This is a highly challenging technological feat.

We aggregate and process billions of bits of data to provide consumers and travel agents meaningful search results within seconds and process on average about 50,000 queries per second. To give you an idea of the scale and capabilities of our technology, that's three million searches per minute, providing valuable information for agents and consumers to make informed purchasing decisions, all in real time.

About 40% of all air tickets worldwide are booked via independent sources, meaning, not on the airline websites directly or through their call centers, but through what is called the indirect channel, composed of ticket agents, including GDSs, TMCs and other intermediaries. The clear advantage of the indirect channel is that consumers, both leisure and business travelers, can comparison shop across all available brands and see all of their options in one place so that they can make the travel choice that best suits their needs. The benefits of comparative shopping are enjoyed by leisure and business travelers, who enjoy cost savings on corporate travel. When airlines have to compete for travelers on price and service in a comparative environment, consumers of all types benefit.

GDSs are a critical backbone of this indirect, independent distribution channel. And they are important for airlines to attract leisure travelers and also business travelers whose bookings are most often made through TMCs and agencies that utilize a GDS.

In recent years, we have worked with airlines in implementing an IATA-developed communication standard known as New Distribution Capability or NDC to allow for communicating fare and fee information between airlines, GDSs and other distribution players. NDC has proved workable, but does not on its own resolve the transparency issue that brings us here today. Regardless of whether the NDC standard is in place or not, it remains up to

individual airlines to make their fee information available for display and booking on the indirect channel.

With that background about GDSs generally, I will turn to our support for Travel Tech's position on the important need for fee transparency. To effectively compare airline prices, passengers must have access to comprehensive and accurate information on available air fares and, importantly, fees for related services. Airline unbundling has resulted in many aspects of a passenger's air transportation becoming optional or an "ancillary service" for which the airlines impose a separate fee. In 2021, airlines reportedly collected about \$65.8 billion in ancillary fee revenue. These revenues account for about 14.4% of airlines' global revenue, and for some airlines, ancillary fee revenue constitutes more than 40% of their total revenue. Per-passenger ancillary fee revenue has grown from \$12.13 in 2012 to a projected \$27.60 in 2021, more than doubling in less than 10 years.

Even though fee information is now critical to passenger shopping for air travel, not all airlines provide to GDSs or other intermediaries information about baggage fees, boarding and seat fees and change and cancellation fees. This issue is at the heart of what I understand this Committee wants to focus on today – developing recommendations for airlines and other sellers of air travel for clearly displaying ancillary fees to consumers so that anticipated total charges are fully disclosed at the time of initial search and before booking decisions are made.

I also understand that the Biden Administration supports the goals of broad transparency and access to fares and fees. The President's July 2021 Executive Order on Promoting Competition in the American Economy requests that the Department "consider initiating a rulemaking to ensure that consumers have ancillary fee information, including 'baggage fees,' 'change fees,' and 'cancellation fees,' at the time of ticket purchase."

Amadeus fully supports this goal, but any rule the Department develops must apply not just to direct sales by airlines, but also to the indirect channel that consumers use for comparison pricing and through which a significant portion of consumers make their bookings. In fact, in 2014 and again in 2017, the Department proposed rules to require that airlines share certain fee information with the indirect channel, including GDSs and other ticket agents, as a means of addressing the absence of transparency. We believe that these proposals were steps in the right direction and encourage the Department to renew its efforts on this issue.

The need for transparency has only grown as airlines continue charging fees for separate services that were once included in the base fare purchased by the consumer. Airlines offer different levels of services at different fares for the same flight, with some higher fares including certain additional services and other lower fares sold with little or no extra services. In this setting, the marketplace works best when those fares and fees are shared by airlines with a GDS, which can in turn facilitate the dissemination, display and booking of the variety of different services being offered. Without airline cooperation, which unfortunately is not always available, consumers using the indirect channel cannot always readily see the information they need to make informed comparisons between airlines. For example, certain airlines are reserving the lowest fares and certain ancillary services, or bundles of fares and ancillary services, to their direct distribution channels, to drive more traffic to their websites and gain more control over their offers. Such actions make comparison shopping more difficult and undermine the goal of enhanced competition that this Administration seeks.

To the extent that we have availability of fares and fees on the indirect channel, this situation is the result of contracts that we at Amadeus and other GDSs have with major and other US airlines that choose to partner with us and broadly use the indirect channel. Those airline-

GDS participation contracts, which are negotiated with airlines every few years, sometimes state that the airline will provide so-called full content to the GDS, i.e., all or virtually all of its fare and fee content in return for reduced booking charges or other negotiated benefits. Full content contracts are key to the ability of consumers to have robust comparative shopping options, allowing consumers to avoid spending time and resources going to multiple airline websites in an attempt to make comparisons. However, in the past years more and more airlines, including US airlines, are moving away from these full content agreements to other types of distribution agreements where they do not share their full content with GDSs but reserve certain fares and ancillary information for non-GDS channels.

While certain of the contracts currently in place between Amadeus and US airline participants in our GDS allow for ancillary fee transparency, this situation is not universal and not guaranteed to continue. Our standard airline agreements cover periods ranging from 3 to 5 years. Even where we have access to ancillary fees through contracts, we know that contracts can be changed over time. The level of transparency we have now cannot be guaranteed. In Europe, for example, several major airlines have opted not to renew full content agreements, creating uncertainty as to the level of fare and fee transparency that will be available through the indirect channel in the future.

Accordingly, we will support any reasonable Department proposal to achieve the goal of enhanced fee disclosure through a requirement that airlines provide the fee information upon request to the indirect channel platforms, including GDSs, in which they participate. Such information should include, but not be limited to, carry-on and first and second checked baggage fees, boarding priority fees, seat fees and change and cancellation fees and related terms and conditions (e.g., size/weight limitations for bags, conditions for cancelling or changing a ticket).

Further, to the extent indirect channel companies maintain or develop their technology that would facilitate the transactability of ancillary services, then the ancillary service fee information should be provided in a format that allows consumers to purchase these services from travel agencies so consumers using the indirect channel can complete their entire transaction at the time of ticket purchase. This will avoid the situation of such consumers being forced to complete a separate transaction directly with the airline after purchasing their fare from a ticket agent.

In sum, implementation of airline ancillary service fee transparency, and the ability to transact those services where the technology permits, will provide significant consumer benefits. These measures will:

- (1) enhance transparency and robust comparative shopping for consumers, so they can truly perform a like-for-like comparison of competing offers,
- (2) lessen the risk of consumer confusion and improve efficiency by reducing search and transaction costs (as consumers will not have to engage with other websites to obtain core ancillary service fee information for their itinerary, or to transact those core ancillary services where the initial point of sale had the technology sufficient to enable those transactions), and
- (3) provide consumers better information early in the search process, leading to more optimal travel choices and enhanced competition and lower prices, while reducing the risk of being surprised by post-purchase fees for services that they may consider to be integral to their ticket purchase.

I thank you for this opportunity and look forward to any questions you might have.